

Enterprise Internal Control Audit Research

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Abstract: With the development of economy and society, internal control has become one of the hottest topics in the domestic and international economic and management fields. In 2008, China's five ministries and commissions jointly issued the "Basic Standards for Internal Control of Enterprises", marking the upcoming internal control audit business in China. The development of internal control, a new type of business, will have a profound impact on improving the quality of financial reporting information. This is also the value of this paper's research on internal control auditing issues. This paper points out that the future development direction of comprehensive internal control should be a value-oriented comprehensive internal control audit that includes prevention and mitigation of risks. The main purpose is to help enterprises improve the efficiency and effectiveness of operations, avoid and reduce losses and waste, and improve the efficiency and effectiveness of operations. Promote the sustainable and healthy development of enterprises, not just the wind-guided internal control audit that is currently advocated.

Keywords: Internal control; Internal control of financial reporting; Internal control audit.

1. INTRODUCTION

From the situation in China in recent years, the frequent internal control failures and financial fraud incidents of listed companies have seriously affected the normal operation of the capitalist market. Especially after the 21st century, many Chinese companies listed in the US have been subjected to short-selling, investigations and penalties by regulatory agencies, class actions, collective delistings, and later private accountants after the resignation of certified public accountants in Hong Kong and other places. The financial personnel incident has largely affected the image and reputation of Chinese companies in the international capital market. There is a common problem behind these incidents, that is, there are major flaws in the company's internal control. Therefore, as a key part of corporate governance and an important component of management and management, internal control of enterprises is not only an important guarantee for the quality of financial statements, but also the basis for the normal and healthy development of the capital market. At the same time, internal control is to maintain investor confidence and protect the market. The regular operation of the economy plays an important role. Establishing a sound internal control system and effectively controlling various risks has become one of the top priorities for all types of enterprises from leaders to all employees.

2. THEORETICAL BASIS OF ENTERPRISE INTERNAL CONTROL AUDIT

Internal control is the policy and procedure designed and implemented by the management, management and other personnel to ensure the reliability of financial reports, the efficiency and effectiveness of operations, and compliance with laws and regulations. Under the new fiduciary economic responsibility relationship, the internal control audit system came into being.

There are two sources and functions of internal control, namely internal control as an audit method and internal control as a management method. Relatively speaking, the internal control research of management perspective has more realistic significance. With the rapid development of the modern economy and society, and the changes in the company's environment, internal control needs to be guided by financial reporting--risk-oriented-value creation-oriented transformation. The traditional internal control theory is based on the goal of "minimizing risk". To achieve this goal, enterprises need to design a complex and cumbersome internal control system and procedures, and excessive control often weakens the ability of enterprises to respond quickly to the market. It may cause the company to lose good opportunities or cause business mistakes.

From the perspective of management, internal control as a management method and means, its primary goal is to increase and create value for enterprises, and to reduce costs and increase shareholder value as the main goal and starting point; designing reasonable internal control should be weighed Capturing the relationship between business opportunities and controlling risk, the internal control system should be designed to cover the entire process of company management.

3. THE DEVELOPMENT HISTORY AND CURRENT SITUATION OF INTERNAL CONTROL AUDIT IN CHINA

Since China's reform and opening up, with the continuous development of market economy, enterprises face various risks. More standardized corporate governance, in order to urge the enterprise the sustainable development of the normal and healthy and curb corruption, prevent the loss of state-owned assets, avoid and reduce all kinds of risk, the relevant government departments have issued a series of laws and regulations on the management of internal control and risk, but are separate government documents, relatively scattered, concentration, not form a unified internal control management system specification. It was not until July 2006 that the ministry of finance of China established the "enterprise internal control standards committee", and the Chinese institute of certified public accountants also established the "internal governance steering committee of accounting firms". In May 2008, the ministry of finance, together with the audit office and other five ministries and commissions jointly issued the enterprise internal control standards. On April 26, 2010, the ministry of finance, China securities regulatory commission and other ministries and commissions held a press conference in Beijing, and issued the supporting guidelines for enterprise internal control. The supporting guidelines consist of 18 application guidelines (which will be issued later for banking, securities and insurance businesses), evaluation guidelines for enterprise internal control and audit guidelines for enterprise internal control. Until then, China has formed a complete set of internal control system.

Internal control is facing the main problem is (1) the enterprise management does not pay attention to. Some enterprise management decided that strengthening internal control audit, will have a certain limit on the power of management personnel; Some managers worry about increasing the cost of the

enterprise, including the cost of increasing personnel and hiring intermediary structure; Some management thinks that this is just the work of finance department or internal audit department, which can be directly transferred to these two departments. (2) China's internal control audit is at the beginning stage, precedent and experience are very few. Since China's internal control basic norms and audit guidelines are different from those of the United States, Japan and other countries, this also reflects China's special national conditions and economic development status, no international experience can be directly used for reference. Since 2011 was the first year of auditing based on basic internal control standards and audit guidelines, all cpas did not have sufficient experience in internal control auditing. (3) the template of the audit report is not perfect and lacks systematic guidance. In audit guidelines, only provides standard opinions, inexpressible opinions and negative opinions of audit report template, does not provide the financial report internal control defects description section of the report templates and examples, but in the audit practice, there may be more is a major defects of internal control of financial reports, and even some still relatively prominent.

4. SUGGESTIONS FOR IMPROVING INTERNAL CONTROL OF ENTERPRISES

The implementation of a new audit service, after we understand what standards to conduct the audit, then we need to study how to conduct the audit, that is, what process to adopt, what steps to follow and what method to conduct the audit. Auditors must plan and execute audit procedures to obtain sufficient and appropriate evidence to reasonably ensure the effectiveness of internal control. This is the core and soul of an audit practice, and it is also the issue that auditors pay most attention to.

Control contents at the enterprise level should include: environment-related control; Risk assessment process of the enterprise; Supervision and self-evaluation of control; The control designed by management over the risk of control; To monitor the control of business results; Control the process of final financial report; Decisions on major operational controls and policies on risk management practices.

Certified public accountants need to maintain a prudent attitude towards all kinds of audit evidence to test the authenticity and reliability of the evidence. When evaluating these audit evidence, it is also the responsibility of certified public accountants to read and examine the internal control audit report or similar report designed this year and evaluate the control defects in the above reports.

The internal control system from the establishment to the sound to the fact again, is belongs to the enterprise high-level labor. In addition, enterprises need to evaluate the internal control system they have established to determine the effectiveness of the system. The relevant standards and audit reports should emphasize reasonable assurance, so as to avoid report users' excessive reliance on the internal control of the auditees and increase the responsibilities and excessive expectations of certified public accountants. Relevant laws and regulations and standards should make it clear that if certified public accountants maintain due professional care and conduct audit in strict accordance with the requirements of internal control audit guidelines, even if no defects in the internal control of the auditees are found, they can be exempted from liability, unless there is evidence that certified public accountants have not done their due diligence.

Internal control is related to all aspects of the enterprise, at the same time, if you want to make internal control audit, evaluation and management consulting business, not only requires a solid accounting audit professional knowledge as the foundation, also need to be familiar with enterprise industry

knowledge, etc., but also skilled in the use of electronic technology, such as excel, basic functions, such as, of course, also can make use of experts or by hiring a work, but the final result is responsible by the certified public accountant to check. Therefore, it is necessary for certified public accountants to equip themselves with abundant relevant professional knowledge.

5. CONCLUSION

Through the occurrence and development of China's internal control audit, we can find that China's internal control audit will become the regular business of certified public accountants. At the same time, the internal control audit system will be transformed from auxiliary work into separate business; From limited guarantee business to reasonable guarantee business, from voluntary disclosure to mandatory disclosure. Through the fiduciary responsibility view, can explain the origin of internal control, and signal transmission theory, can help to accurately grasp the internal control system. The standardization of internal control construction also makes our country's internal control evaluation system more perfect.

With the rapid development of China's economy, the country's attention to enterprise internal control audit and requirements are increasingly high, enterprises as the theme of social and economic development need to assume more social responsibility, therefore, enterprise internal control audit is very important. But from our country enterprise internal control audit present situation, its level and the quality are not high enough. So our country should further improve and improve the standards and requirements of enterprise internal control audit, for our country's sustainable development strategy has extremely important practical significance.

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